

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

AmFirst Financial Services, Inc.

Point of Contact:	Mark C. Korell	RSSD: (For Bank Holding Companies)	1059676
UST Sequence Number:	1320	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	5,000,000	FDIC Certificate Number: (For Depository Institutions)	5417
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	August 21, 2009	City:	McCook
Date Repaid ¹ :	N/A	State:	Nebraska

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In 2009, AmFirst Bank had reduced its lending in order to preserve capital and focus on reducing problem loans. After funding in 2009 and continuing in 2010 and 2011, the Bank has been actively pursuing new loan relationships in local markets we serve in Nebraska and Colorado.

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☒ **Increase securities purchased (ABS, MBS, etc.).**

The Bank increased its securities portfolio with additional purchases of government guaranteed mortgage backed securities and municipal bonds issued by local municipalities.

☐ **Make other investments.**

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☒ **Increase reserves for non-performing assets.**

At June 30, 2009 prior to funding, the Banks allowance for loan losses (ALLL) was at 1.39% of total loans. After funding in 2009, the Bank increased its ALLL to 1.74% at December 31, 2009 and further increased the ALLL to 1.84% and 1.78% as of December 31, 2010 and 2011, respectively.

☒ **Reduce borrowings.**

In 2009, AmFirst Financial Services, Inc. used a portion of the proceeds to pay down the principal balance of a loan for which the proceeds were originally used to provide capital to grow AmFirst Bank.

☐ **Increase charge-offs.**

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☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

AmFirst Financial Services, Inc. and its banking subsidiary, AmFirst Bank (collectively "AmFirst"), like many of the banks in the U.S. had adjusted its lending during the economic downturn in order to increase its capital ratios and build its allowance for loan and lease losses. The capital infusion of CPP funds in 2009 allowed AmFirst to once again pursue new loan relationships in the communities we serve in Nebraska and Colorado. Since receiving the CPP funds in 2009, Amfirst has believed that the most beneficial use of this new capital was to leverage it to make additional loans. These additional loans would both increase the profitability of AmFirst and help to stimulate the economies of the communities we serve. During 2011, like many banks across the US, AmFirst continued to experience some loan losses in our portfolio. AmFirst also experienced an ongoing difficult US economy and a continued decline in loan demand during 2011. Due to the lack of loan growth opportunities and our continued focus on maintaining a strong capital base, Amfirst's strategy in 2011 consisted of maintaining loan balances and selectively pursuing new loan relationships to replace loans paying down and paying off. AmFirst continued to pursue new lending and deposit relationships while maintaining adequate capital and loan loss reserves. Weak loan demand resulted in a 6.8 % decline in AmFirst total loans during 2011, however, AmFirst's Tier I Capital Ratio increased from 8.20% at December 31, 2010 to 9.56% at December 31, 2011. Without the CPP funds received in 2009, the declines in AmFirst's loan balances could have been much higher. In our Nebraska markets, a very strong agriculture economy resulted in decreased loan demand. In our Colorado markets, AmFirst has also been actively pursuing small business loan opportunities, including SBA loans. AmFirst added a number of new small business relationships during 2011. Despite these efforts, our outstanding loan balances have continued to decline. This decline is due in part to the challenging economy, as many small businesses in our markets have been decreasing leverage and loan payoffs have outpaced new loan opportunities. Our 2012 business plan calls for measured loan growth during the year. Loans in 2012 are projected to increase \$4.4 million for an annual growth rate of 2.3%. This growth is expected to come from new small business loans and consumer loans.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

AmFirst also increased its allowance for loan and lease losses from 1.39% of total loans at June 30, 2009 prior to the capital infusion of CPP funds to 1.74% at December 31, 2009. AmFirst further increased its loan loss reserves to 1.84% and 1.78% at December 31, 2010 and 2011, respectively. The increased allowance for loan losses, made possible in part by the infusion of CPP funds, has strengthened our balance sheet and allowed AmFirst to resolve problem loans while maintaining an adequate reserve for loan losses. During 2010 and 2011, AmFirst leveraged the capital infusion of CPP funds by purchasing additional investments securities. The Bank's securities portfolio consists of US Treasury securities, Government Agency securities, mortgage backed securities, and municipal securities. During 2010, AmFirst increased its securities portfolio by \$9.5 million or 55% by purchasing additional securities. During 2011, AmFirst further increased its investment portfolio by \$2.6 million or 9.8%. These purchases included government guaranteed mortgage backed securities and municipal securities issued by municipalities in Nebraska and Colorado. This increase in the securities portfolio helped offset weaker loan demand and allowed AmFirst to maintain earning assets. At AmFirst, we have strived to align our business objectives where appropriate with the objectives of the CPP program. Our plan has been and will continue to be to leverage this additional capital when possible to make loans that will benefit our communities and purchase securities which should benefit the broader economy. We had limited success with these objectives during 2011 as total loans declined, however, we fully intend to continue our efforts on into 2012 and beyond.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.